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#### ARTICLES:

- (1) To what extent can Prime Minister Abe follow his convictions in budget compilation?

Two months have passed as of yesterday since Shinzo Abe took office as prime minister. He has thus far made achievements on the diplomatic front, as can be seen in his surprise visits to China and South Korea. In the economic field, he has yet to produce satisfactory results. How far can he carry through with his structural reform policy amid a growing trend for a swing-back in the name of narrowing disparities or giving consideration to local regions? The compilation of the fiscal 2007 budget will serve as a test of the Kantei leadership he has touted.

#### Moves to look for funds in supplementary budget

Abe moved out of his private residence in Tomigaya to the official residence in Nagata-cho on Nov. 26. He was in casual attire wearing a blue jumper and black pants. He told reporters, "I will move to the official residence in the knowledge that I will be on stand-by around the clock."

The official residence had originally been used as the Prime Minister's Office (Kantei). The residence, constructed in 1929, was refurbished to coincide with the construction of the new Kantei building. The refurbishment was completed in 2005. Koizumi was the first occupant of the newly built Kantei, followed by Abe. Abe's comment about being on stand-by likely betrayed his feeling that he is too busy with work to care about the fact that he is the second occupant of the Kantei.

Liberal Democratic Party (LDP) Policy Research Council Chairman Shoichi Nakagawa and New Komeito Policy Research Council Chairman Tetsuo Saito gathered in a room at the Hotel New Otani on the

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evening of Nov. 24. On the agenda was the supplementary budget for this fiscal year. Participants tried to find spending items in line with the Abe administration's slogans, such as second chances and local revitalization.

Commenting on the second budget, Abe at the meeting of the Council on Economic and Fiscal Policy (CEFP) on Nov. 24 announced that expenditures would be limited to reconstruction of disaster-hit areas. LDP Secretary General Hidenao Nakagawa, who supports Abe, proudly said, "We have been able to disrupt the attempt to impede the Koizumi policy." However, a plan to incorporate road construction expenditures financed with surpluses from special road revenues, which are larger than the road budget, has been floated in the LDP.

A senior ruling party official noted, "We have a plan to look into the possibility of a 15-month budget including the supplementary budget." The 15-month budget is a budget combining a supplementary budget and an initial budget so that there will be no disruption in the implementation of public projects from January through March. This is a measure to give consideration to local governments. It was not an unusual method in the past.

The way the reallocation of special road construction revenues was decided, a policy that Koizumi proposed as his campaign pledge and has been relegated Abe to handle, is also unclear.

Both local governments and the auto industry are against the idea of reviewing special road construction revenues. New Komeito, which has sent Tetsuzo Fuyushiba as minister of land, infrastructure and transport, is also cautious about the idea. Abe has stated, "I will reallocate road funds as I expressed in my policy speech." However, is it possible to convert road funds into funds for more general use, a category of funds under which there are no restrictions on usage at all, including the use of surplus portions of road funds? Skepticism is rife in the ruling camp and Kasumigaseki.

#### Private-sector member of CEFP shouts at politicians

A private-sector member of the CEFP during a panel meeting held at the Kantei on the evening of the 24th, shouted at Internal Affairs

and Communications Minister Yoshihide Suga, "I want politicians to take the initiative instead of letting bureau director generals of each government agency make decisions." Under the Koizumi administration, the state minister for economic and fiscal policy was in charge of the panel. He got the ruling camp under his thumb, characterizing the panel as a main setting for policymaking. Koizumi even scolded cabinet ministers at times, saying, "Do not allow bureaucrats to take the lead." Being fresh as prime minister, Abe lacks the punch and authority of Koizumi. The private-sector member also had Abe in mind when he lashed out at Amari and Suga.

Openly states consideration for local governments

When he moved to the residence on the 26th, Abe said, "Sometimes I want to return to my private residence on weekends." Unlike Koizumi, whom Foreign Minister Aso described as "being able to put up with complete solitude," Abe has a feeling of warm-heartedness, which is part of his appeal.

His warm-heartedness raises hopes among politicians that Abe will listen to them. With one faction leader saying that "Koizumi is special, while Abe is ordinary," this can be seen as a call for a

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traditional prime minister who coordinates among the LDP factions rather than a top-down leader in the mold of Koizumi.

Abe stressed, "There will be no change in the spending cut policy of the Koizumi cabinet." At the same time, he openly expressed consideration for local regions even during the LDP presidential race. His convictions are now being put to the test.

(2) Prime Minister Abe moves to official residence to work around the clock

SANKEI (Page 3) (Abridged slightly)  
November 27, 2006

Two months after taking office, Prime Minister Shinzo Abe and his wife, Akie, moved yesterday from their private residence in Tokyo's Tomigaya to the prime minister's official residence (Kotei) adjacent to the Prime Minister's Office (Kantei).

Immediately after arriving at the Kotei, Abe went shopping in Shibuya to buy blazers, slacks, a set of dictionaries and so on.

Two 2-ton trucks carrying books and clothing arrived at the Kotei shortly before 1 p.m., and Abe and his wife entered the new residence 30 minutes later with bags in their hands.

The move for Abe and his wife was initially scheduled for early November. "Bidding for the curtains and wallpapers for the prime minister, the quintessential public figure, took a long time," an aide explained.

"Now that I have finally moved to the Kotei, I am ready to work around the clock," Abe told reporters yesterday at his official residence. Now that Abe no longer needs to spend 20 minutes commuting between his private residence and the Kantei, the crisis management system will be stepped up. Abe and his wife, however, will spend weekends at their private residence, where they can have more privacy.

New environment

Security police officers and Cabinet Secretariat staffers will frequent the Kotei, which also houses an office of Kunihiro Miyake, the first Kotei liaison and coordination officer, and his wife, who is responsible for coordinating schedule and offering advice to the First Lady. The Abes will certainly not be the only ones who will be using the Kotei. "The place looks comfortable," Abe told an aide. The residence is also equipped with a theater where the prime minister can enjoy movies and comedies on DVDs after a day's work.

The dog

In moving to the Kotei, Abe and his wife were concerned most of all about their pet, Roy, a miniature dachshund.

An aide to Akie quoted her as saying when leaving for the Kotei yesterday: "Sensing something unusual, Roy seems upset. But we cannot take him with us because he might feel alone at times at the Kotei when we are out." A decision has been made to leave the dog in the care of Abe's mother, Yoko.

With no supermarkets in Kotei's vicinity in Nagatacho, shopping would also become difficult for Abe and his wife.

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#### High-tech house

The Kotei has a floor space of 7,000 square meters. It was originally built in 1929 as the Kantei by modeling on the style of Frank Lloyd Wright, who designed the Imperial Hotel.

Before being remodeled into Kotei, the Kantei was scarred by the bullet holes from the 2.26 incident," a failed coup on Feb. 26, 1936, which was led by a group of young Imperial Japanese Army officers calling for a "Showa Restoration." A former prime minister described the musty Kantei as "spooky."

The office used by the previous 42 prime minister from Giichi Tanaka to Junichiro Koizumi has been made into a study. The Kotei also has a tearoom for guests. The former Kantei was remodeled into a high-tech house last spring with the installation of rooftop solar panels and the world's first household fuel cells that hardly generate carbon dioxide.

(3) NSC initiative: Role sharing a difficult problem for Kantei, Foreign Ministry, Defense Agency

YOMIURI (Page 4) (Full)  
November 23, 2006

An advisory panel of experts to Prime Minister Abe has now kicked off a full-fledged debate on his initiative to establish a national security council (NSC) like the one at the White House of the United States. The question, however, is whether it is possible to reorganize and consolidate Japan's inconsistent foreign and security policy planning systems in its bureaucratic sectionalism and establish a system for the prime minister's office (Kantei) to make decisions under its initiative. There are a number of challenges in store, including how to clear up role sharing with the Foreign Ministry and the Defense Agency.

"We're facing newly emerging threats like North Korea's nuclear weapons programs, so it's urgently necessary to develop foreign and security policies to meet the changes of the times in a swift and adequate way." With this, Yuriko Koike, special advisor to Abe on national security, spoke for the premier's ardor at the outset of the advisory panel's first meeting held yesterday at the Kantei.

Abe's NSC initiative is for the Kantei to function as a control tower, imagining two functions: 1) formulating long-term foreign and security policies; and 2) making prompt decisions to meet emergencies.

At present, the Security Council of Japan (SCJ), chaired by the prime minister, is set up under the Cabinet Office to discuss and decide on Japan's security policy. However, the SCJ does not have enough personnel as it is currently staffed with only about 30 personnel, including those concurrently seconded from other government offices. "The SCJ only hears briefings from government offices and does not work out national strategies," Koike says.

In its meeting this time, the advisory panel decided to reach a conclusion in February next year for the time being. Yet, the NSC's role is unclear about whether it will map out diplomatic strategies or whether it will prioritize Japan's security policy. The government plans to present a legislative measure to the Diet in its ordinary session next year to replace the SCJ with the NSC. In that

case, however, one in the government presumes that the SCJ can only reinforce its staffing at best. The NSC in the United States is an organization under the presidential system, so another government official says the newly planned body can model after the Cabinet's Defense and Overseas Policy Committee in Britain, which is also under a parliamentary system of government.

In point of fact, the chief cabinet secretary has been at the center of information and policy coordination for Japan's foreign and security policies. However, the Kantei has no system to gather and analyze foreign and defense intelligence. "Policy decisions have been greatly affected by the individual capabilities of chief cabinet secretaries," one government official notes. The government has now decided on sanctions against North Korea over its nuclear test. In that process, the Foreign Ministry and the Defense Agency were eager to report their respective plans to the prime minister, according to a government official. This official says these two government offices were at odds in a conflict of opinion.

This time as well, the Foreign Ministry and the Defense Agency have voiced their respective desires. A senior official of the Foreign Ministry says, "Someone who served in the post of administrative vice foreign minister is competent to fill the new body's top post." A staff officer of the Self-Defense Forces also says, "We want to send a uniformed officer to a key position in the new body to get the Kantei's information." At the Kantei, Chief Cabinet Secretary Shiozaki and Abe's Special Advisor Koike reportedly locked horns with each other, respectively claiming to be the counterpart of the US president's national security adviser. The two seem to be struggling for the initiative.

(4) Uncertainly looming over fate of regulatory reform, with no input from prime minister and resistance to market testing by government agencies

NIHON KEIZAI (Page 2) (Full)  
November 26, 2006

The previous administration led by Prime Minister Koizumi set the policy goal of transferring operations and authority from the government to the private sector. Under the Abe administration, however, uncertainty is looming over the fate of regulatory reform. Government agencies have reacted fiercely to a planned increase starting in FY2007 in projects subject to the bidding system as part of market testing introduced by the Koizumi administration. They fear that their authority might be eventually reduced. Some observers also anticipate that activities by an expert panel on regulatory reform could start to be slimmed down next fiscal year. Prime Minister Shinzo Abe has eagerly addressed diplomatic and educational issues, but when it comes to regulatory reform, he seems to be less enthusiastic.

In an unofficial meeting held by the Committee on Competitive Bidding Management composed of officials from the private and public sectors in Tokyo on Nov. 21, representatives from the Ministry of Health, Labor and Welfare (MHLW), as well as the Ministry of Land, Infrastructure and Transport, reacted strongly to the council's proposals urging the government to transfer the services of Public Employment Security Office institutions and the management of parks to the private sector.

Under the market testing system, both the government and the private sector present their respective proposals for each project subject

to competitive bidding, and the party that presents a superior plan in terms of cost wins a contract. State Minister in Charge of Economic and Fiscal Policy Hiroko Ota is willing to hold negotiations with the cabinet ministers concerned, such as MHLW Minister Hakuo Yanagisawa, stressing the need to consider matters "from the perspective of users." But time is running out in the run-up to the deadline set for the end of December.

The focus of attention is also on what body should be formed to succeed the Council on Regulatory Reform and Privatization, which is to expire next March. Such plans as reform of agricultural cooperatives and introduction of an education-voucher system have been in limbo. One private-sector member was overheard saying, "Under the current situation, the new body is likely to be tasked only with monitoring the regulatory measures that have already been implemented."

The prime minister remains indifferent at present, though he was expected to back the council. In his policy speech in September, Abe indicated eagerness to push ahead with market testing, but in the Liberal Democratic Party, cautious views are dominant about regulatory reform.

The Cabinet Office wants to have all regulatory reform plans discussed at a meeting on Nov. 30 of the Council on Economic and Fiscal Policy. It remains to be seen whether the prime minister will issue a clear-cut instruction to move the situation forward.

(5) Vacillating conservatism (Part 1): Image of "Abe-style" politics precedes substance

YOMIURI (Page 1) (Full)  
November 22, 2006

Abe's basic political philosophy is "open conservatism." We wonder what the term actually means and where it is heading for. We here examine the term "conservatism" -- an emerging new buzzword in political circles -- from various angles.

"It is specified to foster an attitude of respecting Japanese culture and traditions, loving our country and land, respecting other countries, and contributing to international peace and prosperity."

Prime Minister Abe emphasized the significance of revising the Basic Education Law while highlighting a clause in which patriotism is referred to, in a final session of questions and answers at a meeting on Nov. 15 of the Lower House Special Committee on the Basic Education Law.

Abe frequently refers to confidence and pride. The title of a policy platform released this September, when he served as chief cabinet secretary, was "Toward a beautiful nation, Japan."

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On Oct. 2, when Abe took the floor for the first time as prime minister to answer representative questions in the Lower House plenary session, he defined "open conservatism" this way: "I don't regard it as an ideology but rather an attitude of reconsidering the long history of Japan from the viewpoint of our ancestors while having confidence in the country where we were born. This idea is not something closed or exclusive."

The Abe cabinet enjoys the high approval rating of 65% (according  
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to a November poll by the Yomiuri Shimbun). This has come partly because of a favorable effect of his visits to China and South Korea he made right after he took office as prime minister, but another reason is a prevailing atmosphere among the public of reconsidering traditions, history, and culture with a strong awareness of the country, Japan.

Shiseido this year came out with a new set of shampoo and conditioner packaged in red bottles and called "Tsubaki." The new product created a sensation in the hair care market in Japan. The catchword used for the popular product was: "Japanese women are beautiful."

The feature of the product is "tsubaki or camellia oil," which has been long used in Japan for hair care. In part because of the commercial message in which Turin Olympic Gold Medalist Figure

Skater Shizuka Arakawa and others appeared, this product at one point pushed Shiseido, which had until then ranked forth in the share of the hair care market, into the top of the market. Shiseido Public Relations Section's commercial strategy accentuated this line, "We are happy to have been born in Japan," and this strategy made a great success because it was able to draw public sympathy.

Mathematician Masahiko Fujiwara, professor at Ochanomizu University, insisted in a book, "Kokka no Hinkaku" (Dignity of the Nation), a paperback published by Shinchosha: "Japanese traditions that have nurtured 'sensibility' and 'Japanese chivalry' must be preserved." His book became a best seller with the sale of more than two million copies. The fact that "Japan" and the "state" are employed as buzzwords here and there in the book is kind of proof of a widening awareness of positively taking "conservatism" in the sense of "valuing and preserving conventional customs and traditions," as defined by the "Kojien" Japanese Dictionary.

Kyoto University Prof. Keishi Saeki, a well-known expert on conservatism, stated: "Experiencing the decline of postwar mores, many people now want to rebuild family values and the education system. They seem likely to smoothly accept ideas Prime Minister Abe shows." Saeki, however, added that "I don't understand well" what "open conservatism" as mentioned by the prime minister actually means.

Prime Minister's Special Advisor on Public Relations Hiroshige Seko, an aide to Abe, commented: "Frankly speaking, we, too, can't respond well if we are asked, 'what is conservatism'. The term 'conservatism' entails a conventional image, so we employed the expression, 'open conservatism,' which may give a slightly different nuance, but...."

An image of Abe-style of conservatism precedes the substance. How can he give body and substance to the image is a key to whether his "conservatism" will take root as a new political philosophy.

(6) Vacillating conservatism (Part 3-conclusion): Is Prime Minister Abe trying to rally "grass-roots conservatives?"

YOMIURI (Page 1) (Full)  
November 24, 2006

A dinner party was held on the night of Nov. 15 at the British Embassy in Ichiban-cho, Tokyo, an area facing the inner moat of the Imperial Palace, in honor of a visiting British diplomat, director of the Foreign Office's Far East Department. A major topic for

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conversation there was what Prime Minister Abe's term 'open conservatism' meant.

"Does the UK have the term 'open conservatism'?"

"There are rumors that Prime Minister (Abe) is a nationalist. Does what he calls 'conservatism' mean that?"

Various opinions were exchanged there among Japanese international political scientists and journalists, and British officials. But the conclusion reached there was that the actual meaning (of what Abe calls conservatism) remains unclear.

The United Kingdom (UK) is viewed as the "home" of conservatism. That is partly because of the historical circumstances. According to Chubu University Prof. Hidekazu Kawai, "People's freedoms and rights have been guaranteed by traditional systems, such as royal rule, so the French Revolution, which made mincemeat of traditions, was seen as something destroying freedoms. In this context, the British statesman and philosopher, Edmund Burke, criticized the French Revolution. This reflection has become the origin of 'conservatism.'"

As for Abe, many point out: "Mr. Abe would have realized the importance of conservatism when he opened his eyes to the traditions of British conservatism," as Kyoto University Prof. Terumasa Nakanishi said.

However, a British diplomat argued: "(Here in Japan), conservatives voice the need 'to revise the Constitution,' while those not viewed as conservatives insist on defending 'the Constitution.' Japanese conservatism is difficult for average people in Britain to understand."

On the other hand, the United States from the beginning had nothing to preserve, for instance, a class system, so the meaning of conservatism in that country is different from that of Britain. Perhaps reflecting the founding philosophy of surviving with own efforts, the US attaches importance to individualism, liberalism, and market principles. Making changes is viewed as a good thing in American conservatism, and the goal of Abe, who intends to follow the Koizumi-led reform line, appears to be close to American conservatism.

Prime Minister's Special Advisor Hiroshige Seko commented: "Mr. Abe appears somewhat affected by America's 'grassroots conservative' concept."

While the situation in Iraq was worsening in the fall of 2004, President Bush of the Republican Party won re-election. At the time, grassroots conservatism was cited as one of the causes of the Bush victory. Soon after the presidential race, at the order of then Acting Secretary General Abe of the Liberal Democratic Party (LDP), Seko set in motion a study of grassroots conservatism. In June 2005, Abe invited Kinichi Yoshihara, an expert on grassroots conservatism and executive director of the Asian Forum Japan, to a study meeting of the LDP Reform Implementation Headquarters he headed and exchanged views with him in the session.

According to Yoshihara, "America's 'economic conservatives' are market economy-oriented, while 'social conservatives' are opposed to abortion, homosexuality, and gun control. These groups are essentially incompatible with each other but they joined hands based

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on thousands of grassroots' groups. This is the origin of 'grassroots conservatism.'

In order to rally grassroots conservatives, the Republican Party set up a philosophy that includes such elements as small government, moral values, maintaining peace by means of force, and cutting taxes. "If you support at least one of those ideas, you are a 'conservative,'" said the Republicans.

The LDP saw its traditional support base weakened during the five and a half years of the so-called Koizumi reforms. Rebuilding the party's supporting base by rallying conservative forces is a big challenge facing Abe. "'Open conservatism' as described by Abe can be defined as involving various types of conservatives," Yoshihara explained. If that is the case, Abe's strategy is to cast a net over voters among whom a conservative mood prevails.

(7) Agriculture Minister Matsuoka received 6.86 million yen in donations from companies and groups involved in bid-rigging over forestry projects

AKAHATA (Page 15) (Excerpts)  
November 27, 2006

Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka (Lower House member elected from the Kumamoto No.3 District) received a large amount of donations from public corporations and companies that were raided by the Fair Trade Commission (FTC) in late October on suspicion of a violation of the Antimonopoly Act, according to an investigation by the Akahata. These entities allegedly were engaged in collusive negotiations over bids for such projects as a forest road-construction project offered by the Japan Green Resources Agency (JGRA), an independent administrative corporation based in Kawasaki City under the Ministry of Agriculture, Forestry and Fisheries (MAFF).

It is suspected that JGRA officials were also involved in determining successful bidders, and the MAFF minister's



responsibility is likely to be questioned.

The inspected entities include such public-interest corporations under MAFF as the Japan Forest Engineering Society; the Japan Forestry Foundation; Forest Engineering Facilities Research Council; and the Japan Forest Technology Association, as well as more than 10 private-sector consultant firms, such as Shinrin Technics (TN: phonetic); Forestech; and Wesco.

The Japan Forestry Foundation, Forestech, and other entities offered donations to the Liberal Democratic Party's Kumamoto No. 3 District branch office, headed by MAFF Minister Matsuoka, and the Council for Economic and Political Studies in the New Century under the lead of Toshikatsu Matsuoka. If donations from the Japan Forest Engineering and the Japan Forest Technology Association added, the donations Matsuoka received from 1996 through 2005 total 6.86 million yen.

In December 2001, too, the FTC issued a recommendation to 15 companies, including four public corporations, to cease activities in violation of the Antimonopoly Act. The watchdog body suspected that they had repeatedly made prearrangement starting around April 1997 in taking part in bidding for survey and measurement services for national forests under the jurisdiction of the Forestry Agency's Tohoku Forest Management Bureau Aomori Branch Office. A considerable number of companies investigated this time were also included among

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those investigated in 2001.

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